Swiss Re

Corporate Responsibility Report 2006

Contents

Executive statement

2006 was an eventful year for Swiss Re. The acquisition of Insurance Solutions enabled the Group to achieve the leadership position in the reinsurance industry. In an increasingly competitive market environment, the combined assets and experience of two first-class organisations will give us greater financial strength and enable us to have an even bigger impact with our products and our expertise. This is also true for our efforts in sustainability and corporate citizenship, to which we remained fully committed throughout the integration. Among the Group's most important achievements in this respect were various products tailor-made to extend insurance cover in emerging markets. Developing these markets through new forms of public-private partnerships and innovative products is directly linked to Swiss Re's strategic goal of enlarging market scope.

In the climate change debate, which reached a new level of consensus last year, Swiss Re continues to be recognised as a true leader. In the core reinsurance business we closed the first deal with an innovative product designed to provide cover against specific risks of carbon credits. But the sustainability initiative which attracted most attention was the CO_{You2} Reduce and Gain Programme: through this, we provide substantial subsidies to our employees for new private investments they make in emissions-reducing measures. It is the first benefit of this kind that is offered by a company to all its employees worldwide and is adapted to specific local conditions. At the same time, however, we are aware that 2006 was a difficult year for many Swiss Re employees: the acquisition of Insurance Solutions led to overlaps in certain functions, which forced us to adjust the Group's total workforce. Swiss Re strove to handle the resulting redundancies responsibly and offered generous support to the affected employees.

Finally, let us briefly comment on the format of the present report. It is the first Corporate Responsibility Report published by Swiss Re and has evolved from the previous Sustainability Report. It reflects the corporate responsibility framework which was adopted by the Group last year and includes the three areas of corporate governance, corporate sustainability and corporate citizenship. While we have been pursuing high standards in all three areas at Swiss Re, we have not so far provided a comprehensive overview of our efforts. The Corporate Responsibility Report changes that. It contains dedicated parts on Swiss Re's sustainability and corporate citizenship initiatives and also enables us to highlight best practices we adopt in corporate governance. After all, it is our combined efforts to create sustainable value for shareholders and stakeholders that make Swiss Re a truly responsible company.

Zurich, May 2007

Jacques Aigrain
Chief Executive Officer

Christian Mumenthaler
Chief Risk Officer

Corporate responsibility framework

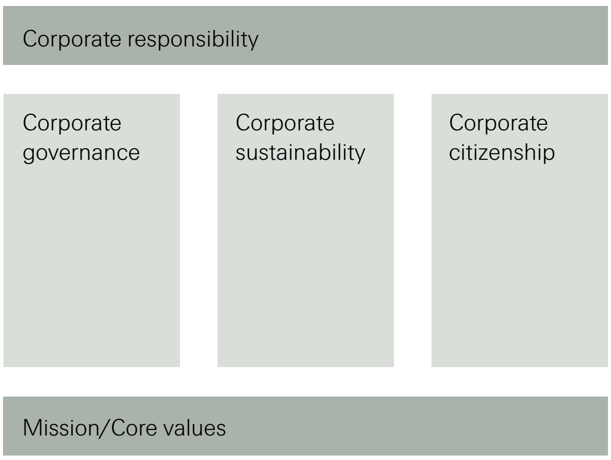
Swiss Re is committed to acting as a responsible company: it strives to create long-term value for its shareholders and contribute to society's sustainable development, while being accountable to all stakeholders in its operations and activities. This commitment is firmly grounded in the Group's principles, standards that govern how Swiss Re relates to its stakeholders as a transparent and trustworthy business partner and define the Group's role in the industry and in wider society.

These principles include four core values expressing the Group's essential beliefs. They are:

- *Engagement:* through understanding and responding to the needs of the Group's stakeholders.
- *Excellence:* through expertise, efficiency and sound decision-making in all we do.
- *Sustainability:* through balance in economic, societal and environmental development.
- *Integrity:* through uncompromising commitment to transparency and ethical principles.

Bringing these core values to life and translating them into action requires concerted efforts in the Group's organisation, management and engagement in society. Accordingly, Swiss Re has long maintained high standards of corporate governance, corporate sustainability and corporate citizenship. There is a growing connection between the three areas. The integration of sustainability principles across all business operations and playing an active role in society are important drivers for continued business success. Vice versa, a solid governance framework facilitates taking a long-term perspective and developing efficient business responses to key environmental and social issues.

In view of these interdependencies, Swiss Re introduced an overarching corporate responsibility framework last year that formally unites the three pillars of corporate governance, corporate sustainability and corporate citizenship under one roof.



Corporate responsibility
"Corporate responsibility" is Swiss Re's overarching commitment to being accountable to all stakeholders in all operations and activities, with the aim of achieving sustainable development in economic, social and environmental dimensions. Swiss Re's corporate responsibility comprises three pillars, all of which are based on the company's mission and core values.

Corporate governance
"Corporate governance" is the framework comprising Swiss Re's organisation, structure, management and assurance functions. The Group's governance should be transparent to its shareholders and other stakeholders.

Corporate sustainability
"Corporate sustainability" stands for Swiss Re's commitment and activities to a) achieve ethical, socially and environmentally responsible business practices and to manage the corresponding risks and opportunities, b) minimise the direct impacts of operations on the environment and society and c) achieve sustainability in Swiss Re's relationships with employees.

Corporate citizenship
With its "Corporate citizenship" activities (sponsoring programmes, matching gifts, donations and volunteering), Swiss Re supports the communities where the company operates and furthers its business objectives in relevant areas, thus strengthening the Swiss Re brand and enhancing its reputation.

The new corporate responsibility framework also facilitates consistent and comprehensive communication on the Group's efforts in all three areas. Hence the "Corporate Responsibility Report", which replaces the Group's former "Sustainability Report" and contains dedicated parts on corporate governance, corporate sustainability and corporate citizenship.

Organisation
At the highest level of the Group's organisation, a committee of the Board of Directors, an Executive Committee member and an Executive Board member are in charge of the three pillars of Swiss Re's corporate responsibility framework: the *Governance Committee,* which is headed by the *Chairman of the Board of Directors* (responsible for corporate governance), the *Chief Risk Officer* (responsible for corporate sustainability) and the *Head of Communications & Human Resources* (responsible for corporate sustainability with regard to employee relations, and for corporate citizenship).

As laid down in the Corporate Bylaws, the Governance Committee is responsible for periodically reviewing the Group's corporate sustainability and corporate citizenship activities, and reviews its own performance annually.

On the level of daily operations, different units bear responsibility for specific elements of Swiss Re's corporate responsibility framework.

Corporate governance:
- *Company Secretary* and *Group Legal/Group Compliance.*

Corporate sustainability:
- *Sustainability & Emerging Risk Management (CRMS):*
  responsible for implementation in the business context and for sustainability issue management, covering both risks and opportunities.
- *Internal Environmental Management:*
  responsible for reducing the impacts of the Group's own operations.
- *Group Human Resources:*
  responsible for sustainability in Swiss Re's employee relationships.

Corporate citizenship:
- *Corporate Citizenship & Art*

In implementing sustainability in the core business, CRMS works closely together with the business units. Both have clearly defined roles: while CRMS carries primary responsibility for addressing, initiating and coordinating risk and opportunity related sustainability activities across the Group, the business divisions are in charge of actually putting into practice agreed sustainability initiatives as an integral part of their business activities.

To address specific tasks, joint project teams or committees may be formed. The joint Sustainability Advisory Committee Asset Management (SACAM), for instance, meets on a quarterly basis to define actions and monitor progress, and with Environmental Commodity Markets, which offers risk transfer solutions for the weather, energy and emissions markets, institutionalised cooperation is maintained.

Corporate governance

Corporate governance is the framework comprising a company's organisation, structure, management and assurance functions. Swiss Re's corporate governance system is designed to ensure transparency, protecting the interests of shareholders and creating value for all stakeholders.

As a Swiss publicly listed company, Swiss Re's governance is measured primarily against the Swiss Code of Best Practice for Corporate Governance. Swiss Re is also subject to the Directive on Information relating to Corporate Governance and its Annex and Commentary, issued by SWX Swiss Exchange and effective since 1 July 2002 (also referred to as the "SWX Directive"). Additionally, Swiss Re complies with the applicable local rules and regulations of all the countries in which it does business. The associated information on Swiss Re's governance is included in the Annual Report 2006, page 65–102.

Swiss Re takes a proactive approach to aligning investors' expectations and interests with its own, and continues to conduct benchmarking with best practice standards. This section of the Corporate Responsibility Report highlights some elements of Swiss Re's corporate governance framework that serve to illustrate its commitment to good corporate governance: the composition and independence of its directors, its board and committee structure, its share structure and its Group Code of Conduct.

Independence of the Board of Directors

Swiss Re requires a majority of the Board of Directors to be independent. To be considered independent, a director may not be, and may not have been in the past three years, employed as an executive officer of the Group. In addition, he or she must not have a material relationship with any part of the Group (either directly or as a partner, director or shareholder of an organisation that has a material relationship with the Group). Based on these independence criteria, the overwhelming majority of Swiss Re's directors qualify as independent: With one exception, all members of Swiss Re's Board of Directors are non-executive. One of these non-executive directors was a member of Swiss Re's executive management and CEO until 31 December 2005. Therefore, he cannot be considered independent although he has a non-executive status. Of the other ten non-executive directors, none has ever held a management position in the Group.

With a large majority of independent, non-executive members, Swiss Re's Board of Directors is in a particularly good position to carry out its oversight and control function.

Board and committee structure

The Board of Directors as a whole can delegate specific responsibilities to committees. It has established four committees at board level: Audit Committee, Compensation Committee, Finance and Risk Committee and Governance Committee.

Swiss Re's Corporate Bylaws stipulate that all members of the Audit Committee and the Compensation Committee must be non-executive and independent. In addition, in the case of the Audit Committee, no member may accept any consulting, advisory or other compensatory fee from Swiss Re.

The tasks of these two committees are as follows:

Audit Committee
The central task of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities as they relate to the integrity of the Group's financial statements, the Group's compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of the Group's internal audit function and its external auditor.

Compensation Committee
The Compensation Committee ensures, among other things, the development of a set of Group compensation principles, which is submitted to the Board for approval; it recommends to the Board the remuneration of the members of the Board (other than the Chairman and the Executive Vice Chairman); it determines the compensation of the Chairman, the Executive Vice Chairman, the CEO and the members of the executive management on the basis of their performance and such other factors as the committee shall deem appropriate; it determines the total amount for bonus payments and related deferral plans, on the basis of achieved performance, and it approves long-term incentive plans; it regularly reviews and approves the Group's compensation and pension plans and keeps itself informed of industry and peer compensation practice; and finally it reviews compliance with any remuneration disclosure requirements.

By requiring the Audit Committee and Compensation Committee to consist exclusively of independent and non-executive directors, Swiss Re is in conformity with the specifications issued by the Securities and Exchange Commission (SEC) in the US, and thus follows international best corporate governance standards.

"One share, one vote" principle

Other than the shares reserved for corporate purposes, which have no voting power and are not entitled to dividend, Swiss Re has no additional types of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights; nor are there any other securities representing a part of the company's share capital. Consequently, Swiss Re's capital structure ensures equal treatment of all shareholders in accordance with the principle of "one share, one vote".

Group Code of Conduct

The Group Code of Conduct (the "Code") expresses Swiss Re's core principles and values in professional business conduct that all of its employees are expected to adhere to, and provides practical guidance on how to implement these principles in typical situations encountered in daily business. It also advises employees on the appropriate course of action if they are faced with ethical dilemmas and clearly sets out how they should react when they observe a possible breach of the principles laid down in the Code.

Swiss Re's commitment to sustainability is included in the Code as an integral part of its business ethics. The Code thus creates a direct connection between corporate governance and corporate sustainability.

Reinsurance

By offering efficiently priced insurance cover, a reinsurer enables other economic actors to assume risks. This is a vital precondition for economic and social development. Yet, there are a number of social and environmental trends that potentially endanger the very goal of sustainable development. Translating Swiss Re's overarching sense of corporate responsibility into its core business therefore includes two dimensions: measures to avoid key risks as well as solutions providing insurance cover in a changing risk landscape. Various risk management tools help the Group identify and address sustainability risks that may cause underwriting losses or violate the principles of its Code of Conduct. With regard to a key challenge such as climate change, Swiss Re is exploring possibilities to develop new risk transfer products. Finally, new forms of cooperation with governments and other partners in emerging countries make an important contribution to extending insurance cover to the local populations.

Cover for carbon credit risks

The development of new risk transfer products is one of four pillars in Swiss Re's climate change strategy, along with deepening its understanding of the risk, engaging in risk dialogue and reducing its own carbon footprint. Product innovations serve two principal purposes: they help adapt to some of the financial consequences of climate change or they directly support efforts to reduce greenhouse gas emissions.

In 2006, Swiss Re made an important step forward in the second category: it closed the first deal with a product designed to cover key risks of Clean Development Mechanism (CDM) projects. The CDM is a market mechanism introduced under the Kyoto Protocol that allows emitters from industrialised countries to gain carbon credits called "Certified Emissions Reductions" (CERs) for investments in emission-cutting projects in developing countries. The goal of this and other market mechanisms is to raise the economic efficiency of reduction measures by lowering their total cost. Swiss Re's product provides protection against a failure or delay in the approval, certification or issuance of CERs. With the help of this new type of insurance cover, buyers can acquire CERs at an earlier stage of the process and increase the value of their carbon credit portfolios. For this product, Swiss Re was awarded a place in the Fast Company magazine's sixth annual "Fast 50", a list of fifty personalities and companies that have successfully developed profit-driven solutions to environmental challenges. (See also Appendix I.)

Catastrophe bonds

While Swiss Re is committed to developing products that facilitate efforts to tackle climate change directly, adaptation measures need to be taken at the same time. A combination of natural fluctuations in tropical cyclone activity and higher value concentrations in exposed areas has been increasing the loss potential of hurricanes, a situation likely to be exacerbated by man-made climate change as a result of increased greenhouse gas emissions in the atmosphere. Insured losses from Hurricane Katrina alone totalled USD 66.3 billion and led to capacity constraints in the traditional reinsurance market. In comparison, the 2006 hurricane season was relatively benign, but in Swiss Re's view this was due to specific seasonal weather patterns rather than any reversal of the underlying long-term trends. Reinsurers therefore need to be prepared for further hurricane seasons on the 2005 scale and look for new sources of capacity, so they can continue providing reinsurance cover to their clients.

Proactively addressing this challenge, Swiss Re has long been a market leader in insurance-linked securitisation, both as a sponsor for its own needs (accessing the capital markets for retrocession capacity) and as an arranger (structuring and placing insurance-linked securities for clients). Catastrophe bonds provide extra capacity by transferring peak catastrophe risks to the capital markets. Investors who buy a cat bond receive a fixed rate of interest but may lose all or part of the invested principal if a specified "trigger" event occurs. Cat bonds provide attractive investment opportunities because they are not linked to capital market risks.

With its innovative "Successor" programme designed to cover four peak perils (US wind, European wind, California earthquake and Japan earthquake), Swiss Re was able to obtain additional natural catastrophe protection worth USD 1.2 billion from the capital markets in 2006. For the whole year, the combined value of non-life bonds issued by Swiss Re, both as a sponsor and an arranger, totalled USD 3.1 billion, about twelve times the amount of the previous year. With a market share of about 60%, the Group remained the clear leader in the cat bond market.

Solutions for emerging markets

Insurance brings very important economic benefits. A reliable risk transfer mechanism facilitates economic activities that might otherwise be too risky to undertake. When losses do occur, insurers are capable of paying claims swiftly, which reduces economic and social disruption. However, the extent of insurance protection varies substantially in different parts of the world. Measured as a fraction of GDP, insurance penetration in emerging markets is only half that of developed countries and only a fraction in developing countries. Reasons for this include low income levels, insufficient understanding of financial products, lack of market information, restricted market access and price controls. Yet, many emerging markets are particularly exposed to extreme weather events and other natural catastrophes, which makes finding alternative approaches all the more important.

Parametric earthquake cover for the Mexican government

Partnerships between the public sector and private insurers provide an effective means to extend insurance availability through tailor-made solutions. In line with its strategic goal of enlarging market scope, Swiss Re takes a strong interest in such approaches and has been involved in designing several public-private partnership initiatives. For example, the Group has developed a parametric insurance solution for the Mexican government covering earthquake risks. This means that in the event of an earthquake whose scale exceeds a certain threshold defined by the parameters of magnitude, depth and location, the government is automatically indemnified. About one third of the insured sum was placed in the capital markets through a parametric cat bond. In this way the Mexican government can directly tap the capital markets when having to deal with the financial consequences of a large earthquake.

Weather risk transfer products

Many industries are directly affected by weather patterns, for example agriculture, energy, tourism, construction, food, textile and retail. Weather risk transfer products provide very effective protection against the risks deriving from swings in weather conditions. They are index-based, meaning that they automatically pay out when specific weather characteristics such as rainfall or temperature deviate from certain predefined levels.

Swiss Re has been an acknowledged leader in the development, marketing and selling of weather derivatives since the market's inception in 1997. The popularity of these products has grown very quickly recently: between spring 2005 and spring 2006, the notional value of transacted contracts increased fivefold, to USD 45 billion, primarily fuelled by demand from corporations in the industrialised world. But weather insurance products also have significant potential benefits in emerging and developing markets, because of the large number of small farmers who are vulnerable to crop failures. Swiss Re has taken an active role in one of the first programmes launched in 2004 to promote the use of weather insurance in India, developed with support from the World Bank and launched by an Indian insurer. Distribution to the remote rural population has been facilitated through cooperation with micro-finance organisations, self-help groups, insurance companies and rural banks, and by the end of 2006 a total of 30 weather insurance programmes were concluded, providing cover against weather risks for over 238 000 farmers.

Paralife initiative

Disability is a major social concern in emerging and developing countries. Because it is directly linked to poverty through malnutrition, poor healthcare and dangerous working conditions, the population of people with disabilities is actually increasing; today an estimated 80% of the world's disabled people live in emerging and developing countries. To make things worse, people with disabilities have very few job opportunities and little access to financial markets, which in turn aggravates poverty. In principle, there is an enormous market potential in serving the needs of poor people in developing countries in general and disabled people in particular. Offering insurance solutions for these markets faces some very specific obstacles, however; apart from low income levels, they include a lack of mortality statistics and traditional marketing channels.

The Paralife organisation was founded with the explicit aim of providing life insurance and savings products to improve the financial security of disabled people in emerging markets and to further their social and economic integration. Costs are kept low through innovative, standardised products, while alternative distribution channels such as associations of disabled people are used to reach the potential buyers. Paralife has now launched its first product in Mexico: a credit life solution which links automatic and compulsory life insurance to credit. Swiss Re has worked very closely with Paralife in the technical development of the product and also provides reinsurance cover for the policies sold.

Risk management

Reinsurance only creates economic value if premium income is sufficient to earn an adequate return over claims and costs. A reinsurer therefore needs to have tight control of its exposure to potential losses through sound risk management. Swiss Re has sophisticated risk management tools and processes in place, which it constantly adjusts to meet changing conditions. The Group's overarching risk management framework is described in detail in a dedicated section of the Annual Report (page 54–64); this section summarises how Swiss Re deals with specific risks posed by social, environmental and similar threats.

Environmental risks are not new to reinsurance. Environmental criteria have traditionally been an important factor in determining the quality of a risk, particularly in facultative property and casualty business, which includes fire, business interruption, liability and accident insurance. Swiss Re has continuously built up its technical expertise to assess these risks. Any underwriter who is unsure about certain aspects of a risk can request the assistance of experienced risk engineers specialising in particular industries. Assessments always cover the whole "original risk", in order to understand the overall quality of a risk. In certain industries such as petrochemicals, environmental aspects are highly significant due to the nature of the business. But even when they have a less immediate impact, environmental and other non-financial criteria (such as transparency, employee relations and supply chain management) may provide valuable insights into management quality and thus sharpen the analytical quality of the risk assessment.

Sensitive Business Risks

Driven by the accelerating globalisation and integration of the world economy, environmental, social and ethical issues are becoming increasingly complex. Thus transactions that are sound from a purely technical or legal viewpoint may still raise ethical or sustainability concerns. The Group Code of Conduct sets out the overarching principles and standards according to which Swiss Re's employees are expected to do business. But although the Code provides some hands-on guidance, translating its principles into specific business decisions can be challenging at times. With this in mind, Swiss Re introduced the "Sensitive Business Risks" (SBR) process four years ago. SBR is a flexible tool that allows all business practitioners – underwriters, client managers, asset managers – to request expert advice when and if they have doubts about a certain transaction; a task force comprising a sustainability expert, compliance officer and business experts will then issue a recommendation within 48 hours. The SBR process has been continuously refined since its implementation.

Ongoing efforts have been made to train underwriters in the SBR process and to raise their awareness of sustainability issues and risks. In 2006, SBR training was provided in twelve events to a total of about 140 participants, based on presentations and case studies. Awareness building was further boosted by the internal online publication of six "industry fact sheets on sustainability risk", covering the oil and gas, tobacco, forestry and paper, chemicals, mining and pharmaceuticals industries, which are all particularly sensitive in sustainability terms. Each of these fact sheets describes driving forces, critical issues and industry best practice, as well as providing a selection of links to relevant sources of information. Meanwhile, the "armament industry best practice", introduced in the previous year, continued to give underwriters guidance in this particularly sensitive area. Complemented by the "country exclusion policy", also introduced a year earlier, these modern risk management tools help ensure that daily business decisions reflect Swiss Re's ethical standards, thus helping to safeguard its reputation.

Number of SBR transactions submitted in 2006: 28
Number of negative SBR recommendations in 2006: 9

Emerging Risk Management
New technological, socio-political or environmental trends and the growing interdependency of risks are changing the risk landscape faster than ever before. In addition, a reinsurer's business environment is constantly altered due to changing liability and regulatory regimes, rising stakeholder expectations and shifts in risk perception. Increasingly, these developments call for an anticipatory approach to risk management. With its SONAR ("Systematic Observation of Notions Associated with Risk") programme in property and casualty business, Swiss Re formed a response to these developments as early as 1995. In the last couple of years, this initiative has been expanded into a formal "Emerging Risk Management" (ERM) framework covering the whole Group. The ERM framework has two related purposes: firstly, to detect, assess and act on "emerging risks" – developing or changing risks that are hard to quantify and may have a major impact on the business – and, secondly, to identify novel "threat scenarios" caused by unexpected loss patterns and accumulation potential between different lines of business. In 2006, the new, Group-wide ERM framework was formally established and approved, clearly defining tasks and responsibilities from risk detection through to implementation. A network of SONAR officers covering all key areas of the business is in charge of the crucial early stages of risk detection and identification. At the first SONAR Roundtable, they consolidated area-specific watch lists into a Group watch list of emerging risks.

Raising awareness among important stakeholders is essential to managing emerging risks. Swiss Re therefore supports several strategic awareness-raising initiatives. The Chief Risk Officers Forum Emerging Risk Initiative (CRO ERI) strives to identify emerging risks of high relevance for insurers and to present the industry's position on them through various CRO briefings. As chair of the CRO ERI in 2006, Swiss Re played an important part in the publication of the first of these briefings, which addressed the implications of climate change on tropical storm activity.

Asset management

Asset management in the insurance industry is subject to specific constraints. Premiums received generate substantial funds, but these need to be invested with the primary goal of meeting insurance obligations. The large majority of Swiss Re's assets (79% in 2006) are thus invested in fixed-income securities matching liability profiles in terms of currency, duration and credit exposure. Funds not used to support insurance obligations are managed to generate an attractive risk-adjusted return through a variety of investment classes. In equity and real estate, Swiss Re makes ongoing efforts to spot attractive investment opportunities and to improve the risk-return profile of investments by using sustainability criteria.

Sustainability portfolio

Swiss Re's sustainability portfolio targets companies which support sustainable development, with a particular emphasis on efficient resource utilisation. While global challenges, such as the ever-growing demand for energy, water scarcity and quality, and the increasing depletion of natural resources, pose large risks for society in general, they also create opportunities for companies that provide solutions to address these challenges.

Swiss Re works with external networks and internal experts to identify and analyse attractive investment opportunities in sustainability-related market segments, such as alternative energy, carbon, water and resource efficiency markets.

In 2006, several direct and indirect investments were finalised across the spectrum of private equity infrastructure, cleantech venture capital and public equity markets. Together with the increased value of the existing portfolio of companies, these new investments brought the total portfolio value to CHF 376 million, including closed but not yet funded commitments.

Selected examples of companies and funds that Swiss Re invested in or committed capital to in 2006 include:

- Climate Change Capital Carbon Fund II, L.P., which mainly invests in projects in developing countries that generate substantial reductions in greenhouse gas emissions. In 2006, the fund closed a large HFC-23 (trifluoromethane) transaction in China.
- DFJ-Element, L.P., a USD 292 million venture fund focused on early-stage and middle-market businesses in energy, water and other large industrial and commercial markets. One of the first fund investments was Fat Spaniel Technologies, Inc., a software and service solutions provider in the energy distribution market.
- Nanosolar Inc., which has developed a proprietary printing process for CIGS (copper indium gallium diselenide) based thin-film photovoltaic cells and modules, creating significant cost efficiency potential.
- Precious Woods AG, a leading company in the sustainable management and use of tropical forests.
- Schmack Biogas AG, a German supplier of biogas plants offering a wide range of services.

The table below shows how portfolio value developed between 2004 and 2006:

	2004	2005	2006
Investments (at market value)	49	69	122
Closed but unfunded commitments	5	81	254
Total portfolio	**54**	**150**	**376**

Real estate

Real estate forms an important part of Swiss Re's investment portfolio from a sustainability perspective, because it offers exciting technological opportunities for innovative developers. The Group has been a pioneer in exploiting the potential of sustainable construction. In Switzerland it owns around 150 000 square metres of MINERGIE®-certified floor space, both in corporate buildings and in property for rental, and is thus one of the leading organisations in that respect. The MINERGIE® quality label set an ambitious benchmark for energy efficiency and user comfort when it was introduced in the late 1990s, but at the same time stipulated that total construction costs may not exceed standard ones by more than 10%.

Recently, the focus of sustainable construction has widened from energy efficiency to include health criteria and the ecological characteristics of the building materials themselves. This development is reflected in the creation of new quality labels. Three large building projects recently completed by Swiss Re were the first ones to receive the "GI Gutes Innenraumklima" certificate ("good interior air quality"), in addition to meeting the MINERGIE® standard. GI certification sets strict quantitative limits for several key aspects of interior air quality. One of these projects, the apartment complex "Am Eschenpark" in Zurich, was also one of the first test objects in Switzerland to be granted the "eco-bau" award, based on a comprehensive assessment of the building's lighting, noise protection, interior air quality, materials and their production methods, as well as dismantling and disposal characteristics. The "eco-bau" label has now been combined with the MINERGIE® standard to create the MINERGIE-ECO® label, which is meant to be fully integrated into the whole planning and building process.

Swiss Re is convinced that sustainable construction using the available technology makes a lot of economic sense. Meeting the requirements set by "GI Gutes Innenraumklima" and – in the future – MINERGIE-ECO® helps to avoid unnecessary, expensive refurbishing cases and increases the appeal of the certified buildings in the property and rental market.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is now into its fifth cycle. The initiative was originally launched by 35 institutional investors, including Swiss Re, who shared a desire to receive information on the climate strategies pursued by listed companies. The reasoning behind the initiative was that the ability to deal with the risks and opportunities posed by climate change would have an increasingly large impact on the companies' performance. The first CDP information request was sent to all FT 500 companies in 2002, of which 71% responded and 45% answered the questions in full. Since then, interest in the project has exploded. In 2006, CDP 4 was signed by 225 institutional investors with assets worth more than USD 31 trillion. The questionnaire was sent to a total of 2 180 companies. 91% of the FT 500 companies responded, of which 72% answered the questions in full. The current information request, CDP 5, was signed by 280 institutional investors with assets of more than USD 41 trillion and sent out to 2 400 companies, whose answers are due in September 2007. As a founding member of the initiative, Swiss Re has responded to all five questionnaires; its answers are available to the general public on the CDP website at www.cdproject.net.

Research partnerships and risk dialogue

In order to understand risks and their implications for the reinsurance business, Swiss Re frequently engages in specific research projects with selected academic institutions and other partners. The Group's expertise and know-how in risk management also makes it a respected and valued contributor to high-level political debate. In the climate change area, furthering understanding of the risk through research partnerships and active involvement in international risk dialogue are two pillars of the Group's four-part strategy.

Research partnerships
In 2006 the following two research partnerships presented results in published reports.

Study on European winter storms with the ETHZ
Jointly with the Swiss Federal Institute of Technology (ETHZ), Swiss Re conducted a study to quantify the effects of climate change on winter storm damage in Europe. Linking the Group's loss model with scientists' climate models, the study revealed that claims can be expected to rise by 16–68% by the end of this century, depending on model assumptions, and that there will be a disproportionate increase in losses for less frequent but more severe events (though the expected increase in losses will vary from country to country). Swiss Re has adapted its underwriting and risk management framework to reflect these findings. The results of the study were made public in the Focus report "The effects of climate change: Storm damage in Europe on the rise".

ProClim Fact sheets
Swiss Re cooperates with ProClim, an organisation which seeks to facilitate both integrated research activities and the necessary linkages between scientists, policy-makers and the public. As a service for Swiss Re, ProClim monitors the latest climate change-related research worldwide and summarises the findings in "Climate change fact sheets". The first of these fact sheets, entitled "Influence of global warming on tropical cyclones, hurricanes and typhoons" was published in 2006. It can be downloaded on Swiss Re's website, at www.swissre.com/climatechange.

Risk dialogue and advocacy
Swiss Re representatives gave more than 75 interviews and more than 50 speeches on climate change. About half of them involved members of the Executive Board or the Board of Directors, including these highlights:

- Swiss Re participated in discussions at Long Beach, California, which led to UK Prime Minister Tony Blair and California Governor Arnold Schwarzenegger signing a "Global Warming Pact" on renewable energy and emissions markets. The two leaders issued a mission statement to "commit to urgent action to reduce greenhouse gas emissions and promote low carbon technologies".
- Since 2005, Swiss Re has been a partner of the Clinton Global Initiative and its CEO has participated at the Annual Meetings. In 2006, Jacques Aigrain took part in a panel discussion on "Companies Saving Energy". He said that an expansion of today's energy infrastructure to meet future demand without changing its carbon emissions profile would further accelerate climate change and advocated taking preventive action now.
- CEO Jacques Aigrain also chaired a panel on climate change at the Annual Meeting of the Geneva Association, a non-profit worldwide organisation formed by some 80 Chief Executive Officers of the major insurance companies, to research the growing economic importance of insurance activities in the major sectors of the economy.
- Swiss Re hosted the Informal Ministerial Consultations for the twelfth session of the Conference of the Parties to the Climate Change Convention (COP 12) and the second meeting of the Parties to the Kyoto Protocol (COP/MOP 2) at the Centre for Global Dialogue and participated as a member of the Swiss delegation.

Internal environmental management

As a financial services provider, Swiss Re does not cause large environmental impacts through its business activities. However, the Group considers it an important part of its corporate responsibility to uphold high environmental standards in its internal operations and its supplier relations. In particular, reducing its own carbon footprint is one of the four pillars in Swiss Re's climate change strategy.

Greenhouse neutral programme
Four years ago, Swiss Re became the first large financial services provider to commit itself to becoming fully greenhouse neutral. The "greenhouse neutral" programme combines a pledge to reduce CO_2 emissions by 15% per employee by 2013 and investments in the World Bank Community Development Carbon Fund to offset the remaining emissions. Since the launch of the programme, the Group's CO_2 emissions have been published yearly, both in the Annual Report and the Corporate Responsibility Report (formerly the Sustainability Report). The underlying environmental data and the calculation of CO_2 emissions are monitored by an external auditor.

Integration of Insurance Solutions: rooftop consolidation programme
The acquisition of Insurance Solutions in 2006 had direct implications for Swiss Re's internal environmental management and its greenhouse neutral programme. As a result of the integration, the total number of office buildings operated by the new, expanded Group rose from 70 to 133. In line with the overarching policy of exploiting the synergies offered by the acquisition, a "rooftop consolidation" programme was subsequently launched to optimise office use and reduce costs. Measures included the elimination of regional overlaps, the reduction of square metre used per workspace through improved office layout and the relocation of back-office functions outside high-cost locations such as Zurich and London. As a result of the programme, the number of offices held by the Group decreased to around 90 by the end of the year.

Recalculation of the programme baseline
The newly acquired, consolidated office locations were fully integrated into Swiss Re's internal environmental reporting system and were accounted for in the calculation of the CO_2 emissions in 2006. On the whole, energy efficiency and use of renewable energy is substantially lower in the newly acquired office buildings than in the Group's old ones, indirectly bearing evidence to Swiss Re's continuous efforts over the last few years. To maintain a meaningful baseline for comparison, the data from the previous years were recalculated according to the principles of the Greenhouse Gas Protocol, the most widely used international accounting tool to understand, quantify and manage greenhouse gas emissions.

Switching to renewable energy
Meanwhile, Swiss Re took further measures to achieve its envisaged 15% cut in CO_2 emissions. Several Group locations in 2006 switched to using renewable energy: Amstelveen (20% of its total energy use), Armonk (30%), London (100%), New York (30%), Sydney (30%) and Zurich (66.7%, up from 33.3%). They joined the Munich, Paris and Rome locations, which had started to use 100% renewable energy back in 2005.

Energy-saving measures
Alongside expanding the use of renewable energy, Swiss Re's business locations continued their efforts to further reduce the amount of power they consume. Across the Group, a multitude of measures were implemented in 2006. Many of these measures had one of the following three objectives: optimising lighting control systems, adjusting the operating times of air conditioning and ventilation to find the right balance between energy efficiency and user comfort, and training for users of technical equipment.

CO_2 emissions per employee, Swiss Re Group[1]:

	kg/ employee	Share in %	kg/ employee	Share in %	**kg/ employee**	**Share in %**	Change from base year (2003) in %
	2003		2005		**2006**		
Power	3491	53.3	3056	46.4	**2713**	**43.9**	–22.3
Heating	750	11.5	795	12.1	**804**	**13.0**	7.2
Business travel	2307	35.2	2730	41.5	**2660**	**43.1**	15.3
Total	6548	100.0	6581	100.0	**6177**	**100.0**	–5.7

Environmental performance indicators, Swiss Re Group:

		2005	**2006**	Change in %
Power	kWh/employee	8222	**8875**	7.9%
Heating	kWh/employee	3869	**3877**	0.2%
Business travel	km/employee	16655	**16251**	–2.4%
Paper	kg/employee	79	**78**	–1.3%

Thanks to its policy of using renewable energy and its continuous efforts to reduce energy consumption, Swiss Re has managed to cut power-related CO_2 emissions per employee by 22.3% from the baseline year of the greenhouse neutral programme. Challenges exist, however, in the area of air travel, which is business-driven and thus difficult to influence: at the end of the reporting year the figure was 15.3% higher than in the baseline year. But in total, CO_2 emissions per employee have decreased by 5.7% since 2003.

ISO 14001 certification/recertification

ISO 14001 is the world's most widely used quality standard for environmental management systems (EMS). Developed by the International Organization for Standardization, it makes generic requirements of the structures and processes an organisation has in place to manage its environmental impacts, meet its stated objectives and comply with environmental laws and regulations. Independent, third-party certification checks whether all specified requirements laid down in the standard are being met.

Swiss Re's policy is to seek certification for specific departments dealing directly with environmental issues or for individual business locations. In the past the Logistics Department and Swiss Re Guest Services in Zurich have received ISO 14001 certification, plus Swiss Re Italia in Rome.

In 2006, Swiss Re Italia successfully went through the process of re-certification. In addition, the Logistics department at Armonk, one of the Group's largest locations, was awarded ISO 14001 certification for the first time. The complex audit review judged that the department had been successful in identifying and rating the facility's environmental impacts as well as developing the required operational controls, monitoring and measurement, goals and objectives, corrective and preventive actions, plus schedules for staff training and awareness. While each certification process focuses on the specific local conditions, the know-how previously built up in Zurich and Rome helped staff at Armonk to deal efficiently with the requirements of ISO 14001 certification.

[1] As in the previous two years, Swiss Re's CO_2 emissions were verified by PricewaterhouseCoopers. Their assurance report is included in Appendix II, page 33 – 34.

Employees

The acquisition of Insurance Solutions was an important milestone in the history of Swiss Re. The principal motivation behind it was to strengthen the Group's position in an increasingly competitive marketplace, driven by the convergence of different players in financial and capital markets, low market entry barriers and widely available information. Merging two leading reinsurers with a good strategic fit in key markets produced new opportunities for growth and development and enabled the Group to achieve the leadership position in the reinsurance industry.

The actual integration process and the quest to meet the raised expectations associated with the new leadership position placed significant demands on Swiss Re's entire workforce as well as its human resources management. Integrating a large number of functions, teams, processes and systems created considerable extra work in addition to employees' existing job responsibilities and led to substantial changes in many parts of the Group's organisational set-up. A particular challenge of the integration was the need to bring together and combine two distinct corporate cultures. The Group sought to facilitate this through an externally managed, strictly confidential culture survey, in which all employees had the opportunity to identify relative strengths and weaknesses.

Merging two established companies also led to overlaps, particularly in corporate functions. The aim to build a lean and efficient global organisation in line with the Group's strategic priority of advancing organisational excellence unfortunately made a substantial number of redundancies inevitable. Swiss Re did its best to manage these redundancies responsibly, by offering generous assistance and compensation to the affected employees.

The extra work, large-scale organisational change and increased insecurity caused by the integration clearly made 2006 a very challenging year for all of Swiss Re's employees. They can take pride in the fact that, under these difficult circumstances, they enabled the Group to achieve excellent financial results for the year. In appreciation of these efforts, senior management decided to pay out a month's salary as a special gratuity to all employees on the Associate to Vice President management levels, on top of the individual annual incentive.

Employee data 2006[1]:

Total headcount, permanent employees:		10 891
Breakdown:	full-time	9 984
	part-time	907
	temporary employees	335
Employee age distribution:	< 30	14.3%
	31–40	34.7%
	41–50	31.6%
	> 50	19.4%
Turnover rate: total number of leavers:		*18.2%

* This figure includes both the normal turnover rate and the redundancies resulting from the acquisition of Insurance Solutions

Redundancy policy

Swiss Re has a long tradition of acting as a responsible employer and took wide-ranging steps to help the affected employees to successfully manage their career transitions. The measures included outplacement support, redundancy compensation payments, transition

[1] Social Performance Indicators LA1, LA2 and LA13 of the Global Reporting Initiative (GRI) G3 Guidelines for Sustainability Reporting

roles (until the end of 2007), exemption from employees' contractual notice periods and early retirement. The actual packages offered to employees took into account individual characteristics such as position or length of employment with the company, but, importantly, the same standards were applied in all locations worldwide.

Employment law differs considerably between the countries in which Swiss Re has business locations, which is also mirrored in specific legal obligations in the event of redundancies. The Group has always been committed to fully complying with these local requirements and took all necessary measures during the integration process.

Global benefits

Swiss Re's aim as a global company is to provide an appropriate package of employee benefits for each distinct operating environment. They are one component in Swiss Re's total reward offering and are meant to contribute to achieving competitive advantage, relative to general local market employment conditions, in recruiting, motivating and retaining talented employees.

Swiss Re is committed to fostering the health and well-being of its employees. The company's employee benefit arrangements are designed to:

- protect employees and eligible family members against the financial consequences of certain risks, including accidents, sickness, disability and death; and
- allow employees to accumulate retirement benefits and/or long-term savings to supplement state old-age provision.

Health

Accidents and physical injuries are not a major hazard for Swiss Re's workforce. Increasing complexity of work, accelerating processes and the rapid pace of change, however, are putting more and more pressure on employees. Typical consequences include difficulty maintaining a healthy work-life balance, drug/alcohol abuse, chronic stress and burnout. Swiss Re takes these challenges very seriously and addresses them through a combination of preventive and supportive measures.

As of 2006, Swiss Re engaged in a partnership with a specialised external service provider who has further enhanced the previous services provided by the internal "Kontakt" programme. This "Employee Assistance Programme" (EAP) offers counselling on a wide range of practical issues (eg schooling, finance, legal matters, authorities etc) and emotional issues (illness, anxiety, stress etc) as well as specific managerial advice on how to deal with employee conflicts. The EAP is open to all employees and their families and can be contacted by phone 24 hours a day, 365 days a year. These services are, for the time being, available in Switzerland, Germany, South Africa, the United Kingdom and the US.

Swiss Re relies on motivated and high-performing employees for its continued success and is highly interested in creating good working conditions for them. To this end, the Group has also been setting high standards in office architecture. Large building projects such as those in Munich, London (now no longer owned, but still occupied by the Group), Armonk and Zurich have gone to great lengths to combine visually pleasing environments with good office design and high levels of user comfort. These efforts go hand in hand with Swiss Re's strong focus on excellent internal environmental management.

Equal opportunities and diversity
Swiss Re is committed to providing equal opportunities in all aspects of employment. The "Discrimination and harassment" section of its Group Code of Conduct clearly states this principle and declares that any "abusive, harassing or offensive conduct against an employee by a co-worker or client representative is unacceptable". The Code goes on to list typical examples of harassment and encourages employees to report behaviour violating this principle, for which they can use several well-established channels (line management, relevant HR department, Compliance Officer and dedicated units). Anyone who is determined to have engaged in harassment is subject to appropriate disciplinary action according to local law.

Employees are further protected by the Group's whistle-blowing policy, also incorporated in the Group Code of Conduct. This explicitly prohibits any form of retaliatory action against employees who, in good faith, report possible violations of the Code, laws, rules or regulations. At the same time, the policy makes it clear that any instance of malicious allegation also constitutes a violation of the Code.

Even when opportunities are formally equal, some groups of employees face specific obstacles in the workplace. In view of this, Swiss Re pursues an active policy of promoting diversity among its workforce. This not only has direct benefits for the individual employee but also for the Group. Initiated and well-established in Zurich, the scope of the programme is being expanded to include Swiss Re's global locations.

Balancing the demands of work and family is a key challenge for employees in the workplace, particularly for women. Swiss Re strives to facilitate practical solutions by offering part-time work, teleworking and job-sharing, including for management positions if possible. Local initiatives offer additional support. In Rome, for example, organising childcare during the long summer holidays emerged as a real issue for Swiss Re's employees. The "Baby Island" initiative responded to this challenge by setting up a week-long holiday camp offering various games, sports and creative activities. The camp was attended by some forty children aged between three and ten, making the initiative a real success.

Number and percentage of women on different management levels:[2]

Total workforce	4803	44.1%
Executive Committee/Executive Board Member	2	10.0%
Managing Director	24	10.3%
Director/Senior Vice President	228	18.9%
Vice President	832	30.3%
Associate Vice President	1352	47.0%
Associate	2366	62.2%

Through its "Ability Development Programme" (ADP), Swiss Re also caters for employees who, for reasons beyond their control, cannot perform according to their full potential. By providing extra, earmarked funding, the ADP enables affected employees to stay in their jobs with a reduced workload. This solution helps to stabilise or even improve the employee's situation and may prevent disability. At the same time it reduces pressure on managers and team members.

[2] GRI indicator LA13

In South Africa, lack of employment opportunities for young school-leavers is a pressing social issue. Swiss Re has therefore decided to support the government's Learnership initiative by providing jobs for ten previously unemployed youths, where they can gain work experience and receive internal training.

Training

Reinsurance is a typical knowledge industry. Sustaining a competitive advantage depends on employees' professional skills in implementing overall business strategy. Swiss Re has always been dedicated to providing first-class training, not just for its own employees but also for its clients. Following the acquisition of Insurance Solutions, it consolidated its existing employee training programmes and the Swiss Insurance Training Centre (SITC) with the IS Insurance Leadership Institute under the single roof of the Swiss Re Academy, thus further expanding the depth and breadth of its training portfolio.

The Swiss Re Academy's new training concept has three distinctive characteristics:

- Three regional training hubs were established in Europe (located in Zurich), Asia (located in Hong Kong) and the Americas (located in Kansas City), to ensure training facilities as close as possible to the business locations.
- Many previously internal courses have been opened to clients, and vice versa. The fact that employees and clients can attend the same courses leads to a broader, richer learning experience and reinforces Swiss Re's client focus.
- While the Swiss Re Academy continues to offer traditional face-to-face classroom courses, it also uses the opportunities offered by new technologies to enhance the range of training formats. Newly launched formats include the "On Wings" programme of customised, on-site courses for clients and web-based seminars called "webinars".

The Swiss Re Academy embraces two main training categories: "Business Skills Development" and "Leadership and Culture Development".

Business Skills Development

Business Skills Development provides training for Swiss Re's professionals and clients in non-life and life (re)insurance, corporate finance, financial solutions, accounting, legal and tax and claims and liability management. It develops integrated training programmes as well as stand-alone training modules according to the needs of the business units.

The key focus in 2006 was put on:

- combining client-oriented with internal training and refining the comprehensive training curricula for the reinsurance key functions;
- setting up an integrated development programme for new entrants, mainly in the underwriting, client management, claims and liability management functions; and
- launching "vice versa" training sessions to introduce property & casualty client managers and underwriters to life & health business and vice versa.

Leadership and Culture Development

The main objective of Leadership and Culture Development is to prepare Swiss Re's managers as well as clients for current and future leadership challenges. Through key programmes, coaching sessions and digitised learning modules, Leadership and Culture Development address topics ranging from strategy to leadership, from innovation and growth to project management, from selling and negotiations to culture and values.

In 2006, a special focus was put on ensuring a smooth integration of Insurance Solutions through support for all staff on topics such as "Dealing with Change", "Building up Trust", "Leading Cross-Cultural Teams" and so-called "Moving Forward" sessions.

Performance and compensation
In an increasingly competitive marketplace, Swiss Re's continued success rests on having a high-performing workforce. The Group has recently introduced measures to further strengthen its performance culture.

Performance management
The performance management process, which replaced the management by objectives (MbO) process, went through its first full operational cycle in 2006. Applicable to all employees, its key objective is to better align individual performance (and thus rewards) with the Group's strategic direction. Interim reviews monitor progress towards the achievement of these objectives and, at the end of the cycle, a final assessment is made of goal accomplishment. To ensure that individual employees have the necessary skills and capabilities to perform their respective roles, development needs are identified and an appropriate action plan established.

Compensation
Swiss Re's focus on a motivated, high-performing workforce is mirrored in its compensation philosophy. To attract and retain the talented employees necessary for its success, the company provides competitive remuneration opportunities. Compensation comprises four elements:
- a base salary, positioned around the local market median;
- an annual incentive, intended to deliver substantial incremental income if justified by personal and business performance;
- a long-term incentive (LTI) for a select group of executives (with a forward-looking characteristic); and
- a range of benefits, in line with comparable companies in each location.

The annual incentive is discretionary and is dependent on Group, business/corporate function and personal performance (as assessed through the performance management process). The higher an employee is placed in the corporate hierarchy, the more dependent the variable part of compensation becomes on Group results. In this way, Swiss Re strives to align performance with shareholder interests and promote effective teamwork.

Swiss Re has discontinued the regular, annual distribution of stock options to management. In order to maintain alignment with shareholders' interests, the Group has introduced a long-term incentive (LTI) for a number of senior executives, which only delivers value when the published growth targets for return on equity (ROE) and earnings per share (EPS) are met, plus a Value Alignment Incentive for senior employees who have to defer a portion of their annual performance incentive for three years to allow a revaluation in case the core business requires reserving adjustments.

Employee Participation Plan
Employee ownership in the company is strengthened through the Employee Participation Plan (EPP). This is a two- or, in some locations, three-year savings plan coupled with a share purchase opportunity. Swiss Re adds to an individual's savings, either by matching it with a certain percentage or by discounting the share purchase price.

Percentage of employees who joined the EPP in 2005/2006: 55.0%

CO_{You2} Reduce and Gain Programme

Swiss Re was one of the first large financial services providers to recognise the phenomenon of climate change and examine its wide-ranging implications for business and society. It started to draw attention to this major challenge almost two decades ago and has since developed a well-defined four-pillar strategy to deal with the risks and opportunities emanating from climate change (see box). During well over a decade of climate change activities, the Group has recorded a number of significant achievements. For example, it has been a leader in the development of innovative products facilitating the mitigation of, as well as adaptation to, climate change; it was the first large financial services provider to commit itself to becoming fully greenhouse neutral; and it has set very high energy efficiency standards for its office buildings, not just in Zurich but also in other locations such as London, Munich and Armonk.

In 2006 the launch of the Group's CO_{You2} Reduce and Gain Programme set another benchmark in the intensifying efforts to tackle climate change. In force since January 2007, this is the first global corporate programme to subsidise employees' investments in various emissions-reducing measures. For Swiss Re, the development of this programme was a logical extension of the efforts undertaken by the company itself. It further raises employees' awareness of climate change and the contributions they can make as individuals.

In practical terms, the programme works as follows. All employees who have been with the company for at least two years are entitled to receive subsidies of up to 50% for new investments in various types of CO_2-reducing measures. The programme applies worldwide in all of Swiss Re's business locations, including newly acquired ones. The eligible measures vary from country to country, in order to maximise the programme's effectiveness in differing local environments. However, all of them share some common features: they need to be substantial, generate significant and obvious CO_2 reductions and purchases must be verifiable by receipt.

To take Switzerland as an example, eligible investments include hybrid cars, gas-powered cars and season tickets for public transport (mobility-related measures); geothermal heat pumps, solar collectors and wood-based heating systems (energy and electricity-related measures). Subsidies can be claimed once a year and, over a five-year period, are limited to a total amount of CHF 5 000 or the equivalent sum adjusted to the local cost of living.

The CO_{You2} Reduce and Gain Programme was officially launched at the Annual Meeting of the Clinton Global Initiative in September 2006. Founded by former US President Bill Clinton and the William J. Clinton Foundation, this initiative aims to address four of the world's most urgent problems by bringing together leading minds and problem-solvers in a shared commitment to take concrete steps. Swiss Re was invited to join the initiative because of its expertise on climate change. Announcing Swiss Re's commitment to launch the CO_{You2} Reduce and Gain Programme, Bill Clinton said: "Today, Swiss Re makes a very interesting and innovative commitment, which could be followed by virtually any company of any size on any continent. It is quite an advance, and I thank them very much."

Swiss Re's climate change strategy

Swiss Re's strategy to address climate change has four parallel parts:

- *Understanding the risk:* A solid knowledge of climate change and its effects is the precondition for taking appropriate business measures.
- *Products and services:* New products help to adapt to some of the financial consequences of climate change as well as support CO_2 reduction measures.
- *Risk dialogue and awareness:* Based on its expertise, Swiss Re is in a position to make valuable contributions to the public debate and advocate effective responses.
- *Tackling our own footprint:* Swiss Re is committed to becoming greenhouse neutral by 2013 through a 15% reduction of its own emissions and investments to offset the remainder.

Further information on Swiss Re's climate change activities is available on its public website, at www.swissre.com/climatechange.

Corporate citizenship

Swiss Re's corporate citizenship programme is one of three pillars in its corporate responsibility framework. The guiding philosophy of the programme is encapsulated in its motto of "sharing solutions": by extending financial funds and risk management expertise to selected partners, the Group strives to promote solutions to environmental and social issues that are relevant to its business and to society as a whole. The programme combines three target areas: Group-wide initiatives address sustainability and humanitarian challenges, while community initiatives have a strong focus on local projects.

Sustainability initiatives

Linked to its policy of integrating sustainability principles in its core business and internal operations, Swiss Re is committed to spreading knowledge and awareness of sustainability issues in wider society. Climate change and water are key topics in this part of the Group's corporate citizenship programme.

ReSource Award

For the fourth time Swiss Re conferred its ReSource Award for Sustainable Watershed Management. The main award went to a project in the Philippines compensating local people for environmental activities in upstream areas that help to preserve a sustainable water supply for communities further downstream. The Group also provided further support for a project promoting ecological sanitation techniques around Puzhehei Lake in Yunnan province, China, a previous award winner with significant long-term potential. The additional support will help extend sanitation measures to more private households, as well as to large-scale animal husbandry and wastewater treatment.

The Great Warming

In March 2006, the cinema version of "The Great Warming" had its world premiere in New York City and it has since been playing to public audiences across the US. It is based on the three-part TV series of the same name, to which Swiss Re provided both financial and technical assistance. Filmed at various locations around the globe, "The Great Warming" explores the consequences of climate change and offers possible solutions, through contributions from experts and scientists as well as concerned citizens. First broadcast in Canada in 2004, the TV version was later aired in the US, Switzerland, the Netherlands, Sweden, Poland, Hong Kong and Japan.

SEED Initiative

SEED stands for "Supporting Entrepreneurs in Environment and Development". Backed by several UN programmes, governments, NGOs and Swiss Re, this initiative aims to support innovative entrepreneurial partnerships in developing countries through an international award scheme, combined with capacity-building support and a research programme. Swiss Re's sponsorship enabled SEED to provide financial and practical assistance to one of the first award winners: a project involving an ecologically improved method of growing rice, using significantly less water and no chemical fertilisers.

Humanitarian initiatives
Based on its risk management expertise, Swiss Re strives to support the development of practical solutions for humanitarian challenges. Disaster prevention and providing instant relief to catastrophe victims is a key target of these initiatives. Recent experience shows the importance of systematic efforts in preventing natural catastrophes from turning into humanitarian disasters. Intent on making a tangible contribution to this goal, Swiss Re has entered into long-term partnerships with two leading organisations in the field.

ICRC Corporate Support Group
The Corporate Support Group of the International Committee of the Red Cross (ICRC) was established in 2005 to develop long-term relationships between the ICRC and the private sector. Direct financial support, sharing know-how and expertise, and deepened discussions about key challenges are among the most important goals of the partnership. Swiss Re is one of seven members from the private sector to have been selected according to ethical principles. Its principal contribution enables the preparation of ICRC staff for action in emergency situations. In 2006, more than 3000 staff members had the benefit of this training. In addition, Swiss Re hosted the Corporate Support Group's first annual meeting at the Centre for Global Dialogue.

Caritas Switzerland
Last year, Swiss Re also entered into a partnership with Caritas Switzerland, with the aim of preventing humanitarian disasters as a consequence of earthquakes. The decision was prompted by the devastating earthquake in parts of Pakistan and Kashmir in 2005, which caused thousands of casualties and left millions homeless. Swiss Re is providing direct support for the rebuilding of two schools in Pakistan in an earthquake-proof manner and the publication of an easy-to-use handbook on earthquake resistant construction techniques.

Swiss-South African Cooperation Initiative (SSACI)
The SSACI is a public-private partnership in development, the first of its kind, between the Swiss Agency for Development and Cooperation (SDC) and around a dozen Swiss companies who do business in South Africa. The initiative aims to promote social and economic development in the country through financial and technical support to projects providing vocational training and job opportunities for disadvantaged young South Africans. Swiss Re has sponsored SSACI since 2001 and has committed its support until at least 2009. So far the initiative has generated contributions worth more than ZAR 90 million (about CHF 14.5 million).

Community initiatives
In the locations where it operates, Swiss Re's goal is to support community institutions and projects in which Group employees are directly engaged. These projects may have a cultural, educational, social or charitable character.

Community Day in Kansas City
Through the integration of Insurance Solutions (IS), the Group has gained a number of new business locations, where it is keen to continue supporting community-building initiatives. In Kansas City, the former IS headquarter, more than 130 employees took part in the annual "Community Day", where they assisted two local charities with various kinds of construction, renovating and cleaning work. One of the organisations (Community LINC) provides transitional accommodation for families in emergency situations, the other (Sheffield Place) offers long-term lodging as well as a comprehensive education programme for homeless mothers and their children.

Kansas City United Way
The former IS employees also continued a second long-established tradition in Kansas City: once again they collected a significant sum for the Heart of America United Way, a charity that helps to finance almost 350 programmes constituting the regional social safety net. Swiss Re supported the initiative and, in line with Group-wide principles, complemented the amount collected with a substantial contribution.

Green Chimneys
The "Green Chimneys" organisation in New York State is recognised as the worldwide leader in animal-assisted therapy. A residential and day school with its own working farm, it offers children with emotional, behavioural, social and learning challenges an open, nurturing environment with multiple opportunities to develop healthy social relationships. Swiss Re employees from the nearby Armonk location started to volunteer at the Green Chimneys campus six years ago and have since been planting trees, painting fences and barns, weeding, applying compost etc. This ongoing engagement has led to a closer relationship between the two organisations, and Swiss Re is now playing an active role in the Green Chimneys Board of Directors. Last year, a special fund-raising and education programme was held at the Armonk offices entitled "Global Warming and the Global Landscape".

Dollars 4 Doers
Through its "Dollars 4 Doers" programme, Swiss Re provides financial assistance to charity and other projects involving individual employees. To be eligible, projects must have clear objectives and be fulfilled within one year. The spectrum of initiatives that has recently been granted support is wide. In Munich, for example, a Swiss Re employee and his wife started to organise financial help for orphans in Kaliningrad; three years later, this has grown to a concerted effort involving 280 people, 90 of whom work for Swiss Re. In Hartford, US, an employee organises an annual week-long holiday for handicapped children. And in Rome, an employee has set up a phone hotline for people suffering from the rare disease of neurofibromatosis.

Christmas Collection in Zurich
At Swiss Re's Zurich headquarters, the Employees' Association ("Angestelltenvereinigung") has been organising a Christmas collection for the city's disadvantaged and needy since 1933. Funds are handed over to social services departments, homes, parishes and other organisations involved in social care, who then decide how to use and distribute the money. Since 1997, Swiss Re has doubled the total amount raised each year.

Centre for Global Dialogue

Founded in November 2000, the Centre for Global Dialogue supports Swiss Re's aspiration to anticipate, identify and understand topics and trends which will have an impact on markets and society. It provides a venue to engage in dialogue with clients and other stakeholders to promote Swiss Re's expertise and business solutions, and is a platform to position Swiss Re as a thought leader on industry challenges and emerging issues.

Advisory Panel meeting on energy markets
Created in 2006, the Advisory Panel plays a key role in exploring emerging issues and providing strategic insights into the economic, political, regulatory and societal environment for Swiss Re's Executive Board and Board of Directors. It helps Swiss Re expand its global network of senior leaders and generate new insights by sharing knowledge and expertise. The Advisory Panel has eleven distinguished members and is chaired by Peter Forstmoser, Swiss Re's Chairman of the Board of Directors.

At its meeting in November 2006, the Advisory Panel examined the energy markets with regard to energy security, the economic and political environment and financial market implications. Since it is essential that Swiss Re capture investment opportunities and satisfy risk transfer needs, the Group must understand the drivers of the energy industry and the factors that trigger changes in the risk landscape, such as natural disasters, political risks, terrorist threats and environmental issues. Insuring the energy industry, especially the oil and gas industry, is difficult due to the concentration and types of risks, but there is an increasing need for risk transfer solutions that ensure a sustainable energy supply.

International Sustainability Leadership Symposium 2006
The Centre for Global Dialogue hosted the 7th International Sustainability Leadership Symposium in 2006. The event was organised by The Sustainability Forum Zürich (TSF), an independent, non-profit, non-partisan organisation founded by leading representatives from business, science and public authorities. TSF provides platforms for exchanging ideas on sustainable business practices.

The 2006 symposium sought to investigate approaches for long-term-oriented investment in order to achieve sustainable returns. In this regard, the main point of interest was to find out whether the approaches of institutional investors, asset managers, investment advisors and listed companies differ from each other, and if so, how they can be aligned. Taking the standpoint of each of the players involved, including the ultimate beneficiaries, options were identified for a long-term-oriented selection of investment opportunities. Finally, it was assessed whether this process might lead potential investees to reconsider their short-termism in favour of long-term business practices.

Global Risks 2007
Swiss Re has been a strategic partner with the World Economic Forum (WEF) since 2004. This partnership is managed out of the Centre for Global Dialogue. A key project Swiss Re supports in the context of this partnership is the Global Risk Network of the World Economic Forum.

For the past three years, the Global Risk Network has released a Global Risk Report that sets out a continuously evolving analysis of the global risk landscape. A multi-party group, including the extensive WEF expert network, Citigroup, Marsh & McLennan Companies, Merrill Lynch, Swiss Re and The Wharton School Risk Center, identifies major global risks, assesses their economic impact and provides the basis for scenario analysis to evaluate critical uncertainties and decision gateways.

The 2007 Global Risk Report highlights a growing disconnect between the power of global risks to cause major systemic disruption and our ability to mitigate them. It suggests that many of the 23 core global risks explored in the report have worsened over the last 12 months, despite growing awareness of their potential impacts. In addition to specific risk mitigation measures, institutional innovations may be needed to create effective responses to a complex risk landscape.

The report suggests two such innovations – the appointment of Country Risk Officers and the creation of flexible "coalitions of the willing" around specific global risk issues, providing crucial momentum to mitigation efforts. The first would provide a focal point in government for mitigating global risks across departments, learning from private-sector approaches and escaping a "silo-based" approach. The second would allow mitigation strategies to emerge from dynamic interplay between governments and business, achieving a balance between inclusiveness and decisiveness.

Group Issue Management (GIM)

Since the beginning of 2005, Swiss Re has had a formal issue management process in place. The GIM process ensures a systematic and sustainable approach to identifying emerging trends and issues which may impact the company, the industry and society as a whole. The GIM process focuses on topics that are of strategic relevance and comprises three stages. The first stage, issue identification, is managed by a dedicated unit which is based at the Centre for Global Dialogue and makes full use of it as a platform for internal and external expert networks and stakeholder dialogue. At the next stage, the identified issues are validated and prioritised by the Issue Steering Committee (ISC). Headed by the Chief Risk Officer, the ISC gathers the relevant internal experts to choose relevant topics and make recommendations to the Executive Committee. Finally, the Group uses appropriate communication measures to contribute its positions to constructive stakeholder dialogue. At present, Swiss Re manages nine "Top Topics", among them climate change, insurance-linked securities and natural catastrophes.

In 2006, Swiss Re received the W. Howard Chase Award for organisational excellence in issue management. The award was announced at the annual conference of the Issue Management Council (IMC) on 11 May, in which Swiss Re participated. The IMC's Board of Directors, who selected the award winner, paid particular attention to the role of senior management and the cross-functional component of the issue management discipline. The IMC praised Swiss Re's capability in "using business processes to exert progressive leadership on issues affecting both business performance and stakeholder satisfaction".

Appendix I:
Memberships, awards and sustainability ratings

Memberships

Carbon Disclosure Project
The Carbon Disclosure Project (CDP) provides a secretariat for the world's largest institutional investor collaboration on the business implications of climate change. CDP represents an efficient process whereby many institutional investors collectively sign a single global request for disclosure of information on greenhouse gas emissions.
www.cdproject.net

Chicago Climate Exchange
The Chicago Climate Exchange (CCX) is North America's only, and the world's first, greenhouse gas (GHG) emission registry, reduction and trading system for all six greenhouse gases (GHGs). CCX is a self-regulatory, rules based exchange designed and governed by CCX Members.
www.chicagoclimatex.com

Chief Risk Officer Forum
The Chief Risk Officer Forum ("CRO Forum") is comprised of the Chief Risk Officers of the major European insurance companies and financial conglomerates. It was formed in 2004 to work on key relevant risk issues for advanced practitioners.
www.croforum.org

Clinton Global Initiative
The Clinton Global Initiative, a non-partisan project by the William J. Clinton Foundation, is a catalyst for action, bringing together a global community of leaders to devise and implement innovative solutions to some of the world's most pressing challenges.
www.clintonglobalinitiative.org

ICRC Corporate Support Group
By the end of the 1990s the International Committee of the Red Cross (ICRC), with several objectives in mind, felt it necessary to expand its network by engaging with the private sector in, for example, the exchange of expertise and know-how and the diversification of funding sources. For this reason the ICRC has approached a selected group of Swiss-based companies to establish the Corporate Support Group.
www.icrc.org

The Climate Group
The Climate Group is an independent, nonprofit organisation dedicated to advancing business and government leadership on climate change. It is based in the UK, the USA and Australia and operates internationally.
www.theclimategroup.org

The Sustainability Forum Zürich
The Sustainability Forum Zürich (TSF) is a public-private partnership. TSF offers business leaders a platform to exchange ideas and experiences with respect to sustainable business models. An open, ongoing dialogue with leading representatives of politics, academia, administration and civil society aims to promote the foundations for implementing principles of sustainability in practice (in the sense of the triple bottom line) and corporate responsibility.
www.sustainability-zurich.org

UNEP Finance Initiative
UNEP FI is a global partnership between UNEP and the financial sector. Over 160 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.
www.unepfi.org

World Business Council for Sustainable Development
The World Business Council for Sustainable Development (WBCSD) provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of forums, working with governments, non-governmental and intergovernmental organisations.
www.wbcsd.org

Awards
6th Annual Fast 50 by Fast Company magazine
Swiss Re was included in a list of 50 personalities and companies that have successfully developed profit-driven solutions to major environmental challenges.

"Business Leader of the Year" in the 2006 Scientific American 50 Awards
Swiss Re was honoured for its work on global warming and economic sustainability.

The Top 50 Low-Carbon Pioneers by CNBC European Business magazine
Swiss Re was placed in seventh position in this initial list and especially commended for its instrumental role in raising public awareness on climate change.

W. Howard Chase Award from the Issue Management Council
Swiss Re was praised for the organisational excellence of its issue management, particularly the strong involvement of senior management and the cross-functional set-up.

Sustainability ratings

Dow Jones Sustainability Index:	66 out of 100
Innovest:	AAA on a scale from AAA to CCC
oekom:	Investment status: prime; C on a scale from A+ to D–
SiRi:	68.9 out of 100

Appendix II: Independent assurance report on the Swiss Re consolidated CO_2 emissions

To the Internal Environmental Management (IEM) unit of Swiss Re:

We have performed evidence-gathering procedures to provide assurance on the consolidated CO_2 emissions of the Corporate Responsibility Report (the "Report") of Swiss Re Group and its consolidated subsidiaries (the "Group"), all for the year ended December 31, 2006.

We have performed evidence-gathering procedures on (hereafter jointly referred as the "subject matter"):
- The consolidated CO_2 emissions of the table entitled "CO_2 emissions per employee, Swiss Re Group" on page 18 in the Corporate Responsibility Report 2006; and
- The management and reporting processes for the preparation of this data.

We have evaluated the subject matter against the following criteria ("evaluation criteria"):
- The Swiss Re internal Manual for Group Reporting on Environmental Performance Indicators (EPI) issued on 30 September 2005, Index 003. This manual refers to the "Environmental Reporting of Financial Service Providers – a guide to content, structure and performance ratios of environmental reports for banks and saving banks" published by the Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen e.V. (VfU);
- The accuracy and completeness of CO_2 emissions data is subject to inherent limitations given their nature and methods for determining, calculating or estimating such data. Our Assurance Report should, therefore, be read in connection with Swiss Re's internal guidelines, definitions and procedures established to prepare and report on its CO_2 emissions data.

Swiss Re is responsible for both the subject matter and the evaluation criteria.

Our responsibility is to provide a conclusion on the subject matter based on our evidence-gathering procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Information", approved December 2003 by the International Auditing and Assurance Standards Board (IAASB).

We planned and performed our evidence-gathering procedures to obtain a basis for our conclusions in accordance with an ISAE 3000 limited and reasonable assurance engagement. We have not performed an audit according to International Standards on Auditing. Accordingly, we do not express such an audit opinion.

Our evidence-gathering procedures included the following work:

- Assess how Swiss Re IEM staff applies the internal manuals for Group Reporting on EPIs to collect CO_2 emissions data using a sample of six sites in US, Japan, France and Mexico covering 11% of Swiss Re permanent headcount;
- Performing tests on a sample basis of the internal reporting system used to collect CO_2 emission data from Group locations;
- Performing specific procedures to check, on a sample basis, the consolidated CO_2 emission data;
- Interviewing the responsible staff for CO_2 emissions data collection and reporting at the head office;
- Assessing the data consolidation process on Group level;
- Reading and performing tests of the relevant documentation on a sample basis, including Group policies, management and reporting structures, documentation and systems used to collect, analyze and aggregate reported CO_2 emissions data; and
- Performing tests on a sample basis of evidences supporting consolidated CO_2 emissions data with regard to the reported CO_2 emissions data aggregation from the selected locations to the head office.

In our opinion

- The Swiss Re Group internal manuals for Group Reporting on EPIs to collect CO_2 emissions data are applied properly at the head office;
- The internal reporting system to collect CO_2 emissions data is functioning as designed at the head office; and
- The reporting provides an appropriate basis for the disclosure of CO_2 emissions, in all material respects, based on the evaluation criteria.

Based on our work described in this report, nothing has come to our attention that causes us to believe that the CO_2 emission data disclosed in the Corporate Responsibility Report does not give a fair picture of the consolidated CO_2 emission performance, or that the procedures by which the CO_2 emission data were prepared, collated and aggregated are not based on established and accepted measurement and analytical methods, in all material respects, based on the evaluation criteria.

PricewaterhouseCoopers AG

Dr. Thomas Scheiwiller | Jürg Hutter

Zurich, 30 January 2007

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